RB 2012-01 Guidance on Department's Examination Standards and Review of Examination Findings

April 13, 2012 / RB 2012-01

Department's Examination Standards and Review of Examination Findings

Introduction

The Department is responsible for fostering the safety and soundness of the Texas credit union system and for monitoring and enforcing credit union compliance with applicable laws and regulations. In fulfilling these responsibilities, the Department strives to maintain open and ongoing communication with the credit unions it supervises. The Department is committed to a supervisory process that is fair and equitable.

Supervisory Objectives

The Department has established the following objectives for its supervisory program:

- 1. Ensure appropriate controls and management systems are in place to safeguard credit union assets, without attempting to completely eliminate risk.
- 2. Make sure credit unions act in accordance with applicable laws and regulations.
- 3. Encourage communication between the Department and

- credit unions to identify and resolve regulatory concerns.
- 4. Take fair and consistent administrative actions when necessary, based on facts and regulatory authority that have been clearly communicated to credit union management.
- 5. Provide credit unions with a review process through the Department's chain of command that credit unions can use without fear of retaliation.

Standards of Conduct

The Department's staff will:

- 1. Maintain objectivity and independence in the discharge of their professional responsibilities.
- 2. Maintain the highest standards of integrity in performing their duties.
- 3. Be available for open dialogue regarding examination findings and the application of applicable laws and regulations.

Examination Process

As part of the Department's examination process:

- 1. The examiner-in-charge will act as the central point of contact with the credit union.
- Examiners will provide an independent evaluation of the condition of the credit union, as well as the levels and trends of the risks associated with current and planned activities.
- 3. Examiners will determine compliance with credit union laws and regulations.
- 4. Examiners will evaluate the effectiveness of any corrective actions undertaken to resolve regulatory concerns.
- 5. Examiners will provide an opportunity for the credit

- union to discuss the basis for the findings, provide additional data, or suggest alternative resolution for any regulatory concerns identified during the exam.
- 6. Examiners will meet with management prior to concluding the on-site examination to discuss findings, conclusions, and proposed corrective actions.

What Credit Unions Should Know

The credit union and the examiner-in-charge should thoroughly discuss any differences regarding examination findings. If the issues are not resolved at that level, the credit union should request additional involvement by the Field Manager or the Department's Chief Examiner. For differences that exist after the credit union has received the final report of examination, a credit union should submit a written response outlining the basis for its position. In addition, a credit union may request a review and a formal Department response regarding any examination finding. The Department is committed to making every effort to resolve examination disputes fairly, expeditiously, and amicably.

The Department expects its examination staff to interact with credit unions in a professional and fair manner. A credit union that experiences treatment that is not consistent with this standard or the standards addressed in this guidance should discuss their concerns with the Department's Field Manager, Chief Examiner, or Deputy Commissioner.

Formal Enforcement-Related Actions

Once a formal enforcement-related action or decision is issued under applicable statutes or regulations, a credit union may not seek review of examination findings via the informal process outlined above. At that point the action or decision becomes subject to the provisions of Title 7, Chapter 93 of the Texas Administrative Code, and a credit union may proceed with an appeal under that process.